

"There is no reason why we should allow these banks to continue

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FOR IMMEDIATE RELEASE

(Washington, DC) – Rep. Luis V. Gutierrez (D-IL-4), Chairman of the House Subcommittee on Financial Institutions and Consumer Credit and a conferee on the Wall Street reform bill, today reiterated his support for inclusion of a strong "Volcker Rule" in the bill currently being deliberated. The following is a statement by Rep. Gutierrez:

I am a strong supporter of the "Volcker Rule" and I urge my colleagues to support it and make it part of the bill. Banks who benefit from subsidized funds - whether they borrow them from the Fed or simply are allowed to take insured deposits- shouldn't engage in proprietary trading.

There is no reason why we should allow these banks to continue to play at the roulette wheel in the casino of capitalism, as they have in the past. Proprietary trading has contributed to the

financial crisis by using derivatives trading to decrease the capital standards banks are held to while not decreasing any of the risk involved in lending.

The Volcker Rule constitutes an important measure to adequately protect taxpayers, to protect depositors, indeed, to protect our economy.

Does it attempt to kill hedge funds or private equity firms, some of which have legitimate uses? Not at all. Hedge funds and private equity firms can still exist and can make tons of money. Just not on our dime. By separating commercial banking from proprietary trading, the Volcker Rule ensures that our bank deposits won't be used to back-stop risky and reckless hedge funds when their luck runs out.

At the same time, the Volcker Rule calls for higher levels of capital to serve as a cushion for those investment banks whose failure could cause systemic risk, and it also strikes at the heart of the unconscionable conflicts of interest we've seen by the likes of a Goldman Sachs, when banks bet against the very same securities that they conceive, design, and then market.

Finally, I recall the words of John Reed, the former Chairman of Citigroup, who testified on the Volcker Rule in the Senate earlier this year, and has done a mea culpa of sorts for the repeal of Glass-Steagall. Mr. Reed has said: "I'm sorry...We learn from our mistakes...I would compartmentalize the industry for the same reason you compartmentalize ships. If you have a leak, the leak doesn't spread and sink the whole vessel."

Let's heed the words of Paul Volcker and John Reed, former captains of industry who know all too well the dangers of financial high-rolling and are siding with the people and calling on us to put an end to the practice of allowing taxpayer funds to protect and support proprietary and speculative activities.

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